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CORPORATION FILE

HERSHEY'S



ANNUAL REPORT
DECEMBER 31, 1962

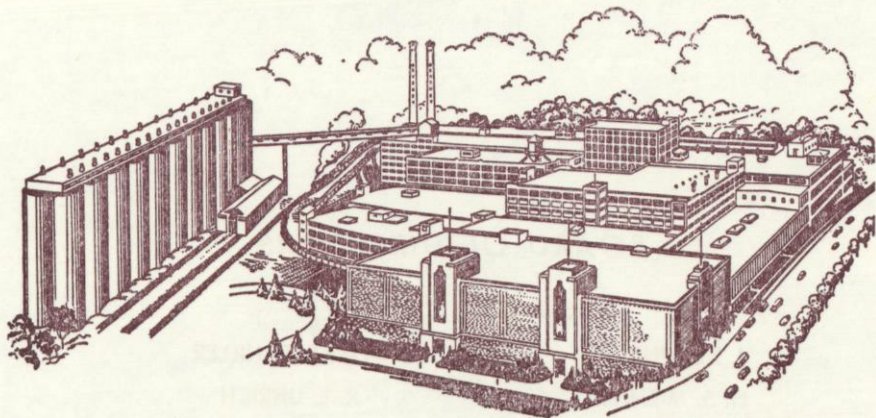
THE EVERETT

THE EVERETT COMPANY
1000 BROADWAY
NEW YORK, N. Y.



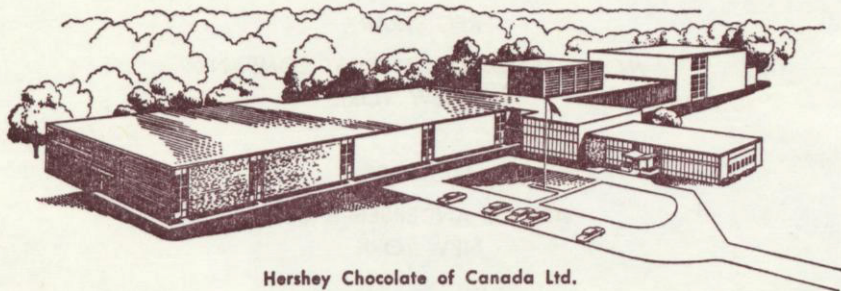
THE EVERETT COMPANY
1000 BROADWAY
NEW YORK, N. Y.

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1000 BROADWAY
NEW YORK, N. Y.



Executive Offices and Manufacturing Plant
Hershey, Pennsylvania, U. S. A.

HERSHEY'S



Hershey Chocolate of Canada Ltd.
Smiths Falls, Ontario, Canada

HERSHEY CHOCOLATE CORPORATION AND SUBSIDIARY

BOARD OF DIRECTORS

S. F. HINKLE, *Chairman*

J. HEMPHILL

W. E. SCHILLER

H. S. MOHLER

R. L. UHRICH

W. H. RADEBAUGH

A. R. WHITEMAN

OFFICERS

S. F. HINKLE, *President*

H. S. MOHLER, *Vice President*

W. E. SCHILLER, *Vice President and Treasurer*

R. L. UHRICH, *Secretary*

L. W. SIMMONS, *Comptroller*

TRANSFER AGENT

FIRST NATIONAL CITY BANK
NEW YORK

REGISTRAR

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK

AUDITORS

ARTHUR ANDERSEN & CO.
NEW YORK

To the Stockholders:

The year 1963 marks the sixtieth anniversary of the founding of our plant and the community of Hershey, Pennsylvania. As we review our progress made in 1962, it is gratifying to be able to repeat to you one of the remarks made in our 1961 report: "Sales reached an all-time high and are a testimony to the excellent degree of consumer acceptance which has been earned by our products."

In figures, our sales for 1962 were \$183,001,625 as compared with sales of \$177,253,045 in 1961. Net earnings in 1962 were \$22,006,551 compared with \$19,799,800 in 1961, or \$1.80 per share in 1962 as compared with \$1.64 per share in 1961. Dividends paid totaled 90 cents per share in 1962 and 80 cents in 1961, each involving an extra payment of 20 cents. These figures on a per share basis give effect to the stock split of five shares for one which took place on March 27, 1962.

The increase in sales in 1962 is a good indication that your Company has continued diligently to market its products in increasing volume and once again demonstrates the valuable asset of consumer favor which inures to your benefit as a stockholder.

Our business depends upon many physical and economic factors, some of which are beyond our control. For example, the unseasonably hot weather in the spring of 1962 sharply retarded our sales during this period even though our gain for the year approached six million dollars. We have pointed out repeatedly in the past that the cost of our basic commodities, particularly cocoa beans, has an appreciable effect upon our earnings. As this letter is being written, the price of cocoa beans has advanced beyond the levels of a year ago. The national economy is expected to remain at a high level during 1963. Consequently, we look forward to a correspondingly satisfactory level of sales, although the many variables before us make it unrealistic to attempt to predict earnings for the year.

Our capital expenditures in 1962 totaled approximately \$7,500,000. This includes the building and equipping of our Canadian plant in Smiths Falls, Ontario, as well as the cost of our continuing program of improving and expanding plant facilities at Hershey. We have not yet broken ground for a branch plant in California, although our interest in this project has not abated. Final decisions will be forthcoming during this year.

Our first chocolate bars were packaged in Canada during December and our plant there is now completed. Operations will be carried on under the name of Hershey Chocolate of Canada Ltd. The executive and administrative staff, which is well and completely organized, is made up, with but few exceptions, of Canadian citizens. The men and women in this group, although relatively young, are mature, aggressive, and well suited by training and experience to establish your Company in the Dominion in the shortest possible time. For many years HERSHEY'S products have been sold in Canada and are reasonably well known, but, because of duties and other extra costs, have not been in a satisfactory competitive position. Initial sales of chocolate made in our Canadian plant are encouraging but we are aware that several years will be required to develop a substantial market and to reach a profitable level of operations.

For those of you who travel during the summer months, in Canada or in Central Pennsylvania, there will always be a warm welcome if you will take the time to visit us. There will be adequate reception facilities and tours for visitors at the plant in Smiths Falls, which will be formally dedicated in the spring or early summer. In Hershey our 1962 visitors reached the remarkable total of 362,000 and the highest number for a single day was 8,200, an influx which you can readily understand almost overwhelmed us.

While we have installed a considerable amount of heavy duty equipment in our Hershey plant and have taken important strides to streamline our operations, the most obvious new project here is the building of our research and development laboratories. Much will be expected of these modern facilities as they begin to function later in the year and continue in the future to evolve new ideas and products for your Company.

In our continuing development of new items we have introduced several which we feel may be of special interest to you. A new non-settling cocoa powder for chocolate milk drinks was developed to be used by dairies and commercial customers. Also introduced was a four-ounce bar of "Pennsylvania Dutch Sweet Chocolate" for cooking and baking. For the first time we wrapped our Kisses in red and green foil as a special Christmas item and the response in sales was most gratifying. We plan very shortly to introduce a new bar, "Butter Chip," a delicious combination of milk chocolate and small pieces of butter toffee with almonds. We invite you to assist in promoting these new items, as well as your Company's numerous products already on sale throughout the country.

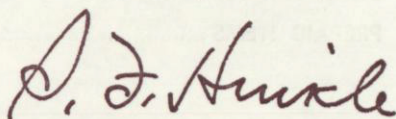
John B. Sollenberger, a member of the Board of Directors, retired from the Board in July 1962. Richard L. Uhrich was elected to the Board on July 11, 1962. Mr. Uhrich has been with the Corporation for many years and has been Secretary since 1961. Harold S. Mohler was elected a Vice President on March 26, 1962. Mr. Mohler has been a member of the Board of Directors since 1960 and since 1957 had been Assistant to the President.

The five-for-one stock split recommended by the Board of Directors received stockholder approval at last year's annual meeting and became effective the next day, March 27. The purpose of the stock split was to achieve a per share price suited to a wider group of investors, with the objective of broader distribution. You will be interested to know that at the end of 1962 there were 15,973 stockholders compared with 10,709 just prior to the split or a 49% increase in approximately nine months.

It is my pleasure to report further that the Company recently received its eighth award for over one million consecutive man-hours worked without a lost-time accident.

The morale of our officers and employees continues at an all-time high and the helpful cooperation of these devoted and loyal people has made possible the operational results which have just been reported to you. I wish to use this opportunity to express my deepest appreciation to them for their unstinted support.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "D. J. Hunkle". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Chairman of the Board
and President

February 22, 1963

and S

CONSOLIDATED BALANCE

ASSETS

CURRENT ASSETS:

Cash	\$ 8,448,060
Marketable securities, at cost	14,180,580
Accounts receivable, less reserves of \$467,374	7,383,374
Inventories (Note 1)	73,149,815
Total current assets	<u>\$103,161,829</u>

PLANT AND PROPERTY, at cost:

Land	\$ 267,469	
Buildings and improvements	20,238,874	
Machinery and equipment.....	28,050,320	
Construction in progress	<u>1,659,453</u>	
	\$50,216,116	
Less—Reserves for depreciation.....	26,329,416	23,886,700

PREPAID ITEMS	658,182
	<u>\$127,706,711</u>

NOTES:

- (1) Inventories of cocoa beans, almonds and peanuts together with such other inventories as may be stated at cost under the "last-in, first-out" method. The remaining inventories shall be stated at market value.
- (2) Under the Officers and Key Employees Stock Option Plan approved in 1962, 34,850 shares were for outstanding options (of which 5,000 shares were for future options), and 262,545 shares were for future options. Option expense of \$1,741,184 was credited to the common stock account.
- (3) The accounts of Hershey Chocolate of Canada Ltd., a wholly-owned subsidiary, shall be stated in accordance with the accompanying profit and loss statement.

TE CORPORATION

subsidiary

STATEMENT - DECEMBER 31, 1962

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities		\$ 7,167,267
Reserve for state taxes.....		981,350
Reserve for Federal income tax	\$11,349,910	
Less — U. S. Government short-term securities	<u>4,958,292</u>	<u>6,391,618</u>
Total current liabilities		\$14,540,235

CAPITAL STOCK AND SURPLUS:

Common stock, without par value—		
Authorized 15,000,000 shares (Note 2);		
outstanding 12,198,860 shares	\$ 6,616,528	
Earned surplus	<u>106,549,948</u>	<u>113,166,476</u>
		<u>\$127,706,711</u>

Materials and wage costs included in finished goods and goods in process, are stated at the lower of average cost or market.

There were 297,395 authorized but unissued shares of common stock reserved for options (at \$16.80 per share for 29,850 shares and \$34.00 per share for 143,125 shares were exercised during the year, and the proceeds of

Shareholders' equity formed in 1961, are included in this consolidated balance sheet and the

HERSHEY CHOCOLATE CORPORATION

and Subsidiary

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND EARNED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1962

PROFIT AND LOSS

NET SALES.....		\$183,001,625
COST OF GOODS SOLD, SHIPPING, SELLING, ADMINISTRATIVE AND GENERAL EXPENSES (including depreciation of \$1,450,569).....		<u>135,985,074</u>
		\$ 47,016,551
PROVISION FOR INCOME TAXES:		
Federal income tax	\$23,270,000	
Commonwealth of Pennsylvania income tax.....	<u>1,740,000</u>	<u>25,010,000</u>
Net profit for the year		<u><u>\$ 22,006,551</u></u>

EARNED SURPLUS

BALANCE AT DECEMBER 31, 1961	\$ 95,495,229
ADD -- Net profit for the year 1962	<u>22,006,551</u>
	\$117,501,780
DEDUCT -- Dividends, \$.90 a share.....	<u>10,951,832</u>
BALANCE AT DECEMBER 31, 1962	<u><u>\$106,549,948</u></u>

AUDITORS' OPINION

*To the Board of Directors and Stockholders of
Hershey Chocolate Corporation:*

We have examined the consolidated balance sheet of Hershey Chocolate Corporation (a Delaware corporation) and subsidiary as of December 31, 1962, and the related statements of consolidated profit and loss and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated profit and loss and earned surplus present fairly the financial position of Hershey Chocolate Corporation and subsidiary as of December 31, 1962, and the results of operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

New York, N. Y.,
February 8, 1963.

HERSHEY CHOCOLATE CORPORATION

EXECUTIVE OFFICES AND MANUFACTURING PLANTS
HERSHEY, PENNSYLVANIA
SMITHS FALLS, ONTARIO

WAREHOUSES

Atlanta, Ga.	Little Rock, Ark.
Billings, Mont.	Los Angeles, Cal.
Cambridge, Mass.	Memphis, Tenn.
Chicago, Ill.	Milwaukee, Wis.
Cincinnati, Ohio	New Orleans, La.
Dallas, Texas	North Bergen, N. J.
Davenport, Iowa	Oklahoma City, Okla.
Denver, Colo.	Omaha, Neb.
Detroit, Mich.	Pittsburgh, Pa.
East St. Louis, Ill.	Portland, Ore.
Houston, Texas	St. Paul, Minn.
Jacksonville, Fla.	Salt Lake City, Utah
Kansas City, Mo.	San Francisco, Cal.
Seattle, Wash.	

SALES OFFICES

In principal cities of the United States and Canada.

HERSHEY'S PRODUCTS

FOR THE CONSUMER

MILK CHOCOLATE BARS

ALMOND BARS

SEMI-SWEET BARS

KRACKEL BARS

MR. GOODBAR

BUTTER CHIP BARS

MINIATURE BARS

HERSHEY-ETS

MINT CHOCOLATE

MILK CHOCOLATE KISSES

BAKING CHOCOLATE

DAINTIES

COCOA

CHOCOLATE SYRUP

INSTANT COCOA MIX

HOT CHOCOLATE POWDER

CHOCOLATE FUDGE TOPPING

SWEET MILK COCOA

CHOCOLATE COVERED ALMONDS

FOR INDUSTRIAL USERS

(Confectionery, Baking, Ice Cream, and other Industries)

CHOCOLATE COATINGS

UNSWEETENED CHOCOLATE

COCOA BUTTER

COCOA POWDER

CHOCOLATE SYRUP

CHOCOLATE FUDGE

